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It is a real pleasure to be able to meet with you members of the North Carolina State Grange. Not only is it good to meet with home folks and old friends -- it is satisfying to talk with effective leaders in the task of strengthening agriculture in the public interest. We need more folks like you who really work for farmers -- not just claim to.

I want to comment for a moment in a very serious vein -- on something that is in everyone's mind whether we talk much about it or not. I know that you and I speak as one in supporting our President in the decisions he is having to make in connection with Cuba.

The farmers of America can take a quiet pride in the fact that the President's problems do not include food.

Cuba has food problems. So does the USSR. So do most of the Iron Curtain countries. These problems have to be underlying considerations in the decisions those countries are making, and in their military and diplomatic strategy.

In the United States, we have been able for years to pretty much take our food abundance for granted. The reason for this is our agriculture's remarkable ability to produce -- and to do so efficiently.

The achievements of the American farmer are without equal in the history of food. To the people of our country, he has brought unprecedented plenty. In fact, our supplies are far greater than have ever been regarded as necessary for safe reserves. We are not proud of costly overabundance. But we are proud of our agriculture. To the people of other countries, the American farmer has shown what

Remarks of Horace D. Godfrey, Administrator, Agricultural Stabilization and Conservation Service, U. S. Department of Agriculture, before a meeting of the North Carolina State Grange, Kinston, N. C., 6:30 p.m. October 25, 1962.

the muscles of freedom can do -- how free thought and free action can be harnessed to bring, within sight at least, an end to hunger everywhere.

We must continue to strengthen our agriculture ... to assure abundance ... while avoiding waste or misuse of our soil and water resources. We must use our programs to bring about balance in supplies -- less of some items, more of others as conditions warrant. We continue to seek adjustments in the use of land to meet the real needs and wants of the people.

I want to start right off by recognizing the valuable assist that your organization ... the Grange ... gave to the Congress and to the farmers of this country by supporting the new farm law. Of all the measures with which the 87th Congress had to wrestle, one of the most complex and controversial was the farm bill. With all the confusion and heat generated in the "discussion" of many proposed changes in the farm law, there were times when it looked as if there would be no new farm law this year.

But the National Grange came through magnificently. In endorsing, explaining and doing the spade work, the Grange helped crystallize Congressional thinking, helped put the new program into proper perspective, helped make it possible for Congress to agree on this new legislation. May I add my bit to congratulate the Grange on this achievement. Its positive approach to the farm problems, truly amounts to real statesmanship. The farmers of this country are grateful to the Grange.

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I know that all of you here in the North Carolina State Grange are rightfully proud of your Master of the National Grange, Herschel D. Newsom. Without his leadership and guidance, it would have been more difficult for your organization to have made its ideas felt, and in the right places. And you North Carolina Grangers can also be proud of your present State Master, Bob Scott. Like his father, Kerr Scott, before him, Bob Scott has gone down the line for farmers and farm programs designed to help them. He has been of the greatest assistance to your national organization.

And I also want to pay tribute to another North Carolianian who has made major contributions to the service of agriculture both here and in the Nation. You all know Harry B. Caldwell as the long-time Master of the North Carolina State Grange and an active member of many other farm groups. In Washington, we see his work as Chairman of the National Agricultural Advisory Commission, a job President Kennedy named him to nearly two years ago. In it he has done an outstanding job of helping reshape farm policy and programs. After years of drift and indecision, our farm policy is back on the track again and headed in the right direction. A large share of the credit for this belongs to Harry Caldwell. I salute his clear thinking, his devotion to the farmers of this country and his capacity for hard work.

Now, I want to say a few words about the new farm law, the Agricultural Act of 1962. In all the see-sawing many people have lost sight of just what is in the Act. There has been a tendency to dismiss it as a weak compromise, or to ignore it altogether. This is a completely mistaken idea, as anyone who takes the trouble to read the new legislation can see.

Actually, this new legislation contains major revisions of many of our farm programs ... even revisions of our concepts in farm programs. The full significance of this law will take time to emerge. Meantime, I recommend it for your careful study.

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Everything is not included in the new law, of course. Certain changes are needed in some commodity programs not included. To name a couple, the lack of new legislation on cotton and milk are most serious. Both cotton and dairy farmers need new programs that are workable and economic. (I want to go into the cotton problem more fully a bit later.) With the big start toward new thinking and new approaches in solving farm problems, there is every reason to believe the new Congress will continue this good work. And I know that we can continue to count on the vital help the Grange can furnish.

Now let's move closer to home and discuss some of the problems facing the farmers of our State of North Carolina. We can't cover them all but here are some highlights on some of our most important crops.

To set the stage, let me summarize what this administration has done to bolster farm income and improve farm programs. Speaking of the whole country, boosts in price support and other improvements in the farm program last year, added more than \$1 billion to net farm income in 1961 as compared with 1960, an increase of about 10%. Gross farm income was up \$2 billion, and businessmen dealing with farmers benefitted from this, as higher farm production expenses soaked up nearly half the increase. On a per-farm basis, with the number of farms still going down, this was the largest net farm income in history, about one-eighth higher than the previous high of 1958.

How did North Carolina fare in this? Quite well, I am happy to say. The increase in net income per farm in our State was up 12.8%, which is a larger percentage increase than the national average. And tobacco farmers nationally, including North Carolina, registered a gain in cash receipts from farm marketings of 14.4%. From early indications, it looks as if the gains in farm income of last year will be maintained, if not increased this year.

And these are not the only benefits stemming from the revitalized farm programs. As a result of the Feed Grain Program and the Wheat Program, the huge grain stocks are being whittled down. As of September 15, the value of Government-held farm products ... commonly and mistakenly called surpluses ... was down to \$6.4 billion -- \$1.5 billion less than at the end of 1960. This has brought with it reductions in storage, handling, transportation and interest costs. Together, these amount to substantial savings to the American taxpayers.

With our new legislation, plus still more changes in the farm law which we hope to get with help from the Grange next year, we will be able to make even more rapid progress in bringing Government holdings of farm products down to manageable levels. At the same time, we expect to aid farmers in getting still further improvements in farm income.

First let's talk about our major crop, flue-cured tobacco.

The tobacco program has worked satisfactorily for many years and has been effective in maintaining overall supplies in line with demand and at a reasonable return to growers. In 1960, price supports were stabilized by legislation because modernized parity and the mandatory support at 90% were increasing price supports faster than the increase in costs to farmers for tobacco when compared to all other commodities.

Then in 1961, the Department increased the price-support grade rates to flue-cured growers by an average of 2.4 cents per pound. This was done because the Department determined it was reasonable to anticipate the quality of each crop based on the most recent 10-year average grade distributions in keeping the price-support program at the mandatory support level. Income to growers in 1961 in North Carolina was increased by about \$20 million because of this additional price support.

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In 1962, the anticipated requirements for flue-cured leaf at the time the quota was determined had improved over previous years and an increase of 4.3% in the marketing quota was provided. At that time, it was expected that added demand would require more production. Price supports were also increased by an average of 0.6 cents per pound because of the increase in the mandatory level. These actions for the 1962 crop should have provided an additional income to North Carolina growers of about \$26 million in additional price support over the 1960 crop and about \$25 million additional income from increased production.

All U. S. flue-cured growers were expected to receive additional income of about \$40 million in 1962 over 1960 because of the increased price support and some \$52 million in increased production due to the increased quota for that year. Disappointingly this has not panned out.

Yet, a look at the market situation to date indicates that overall the producers of flue-cured tobacco will receive by the end of the season only about \$808 million for this crop, representing the same income as for the previous crop and about \$52 million more than for the 1960 crop. This is due to the fact that market prices for the 1962 crop have averaged about 4 cents per pound less than for the 1961 crop and just slightly less than for the 1960 crop.

This disappointing tobacco marketing season is the result of a number of developments. Taken together they add up to what I call "Too-muchitis."

This season has brought too much concentration on the production of one variety of tobacco.

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Too much use of sucker controls.

Too much fertilizer is being used.

Too much irrigation water is being applied in some areas.

There is too much worry over health and tobacco, particularly in England.

And there is too much uncertainty about tobacco exports.

Tobacco now has a bad case of this too-muchitis. But the disease is not hopeless. Working together, the tobacco industry can come up with the cure. Let's get at it.

The production of the 1962 crop, now estimated at 1,345 million pounds, exceeds the past year's consumption rate by only about 78 million pounds, or 6 percent. Such an additional supply in a market of increasing demand would not seem sufficient to disturb market conditions as much as this year's auction markets are disturbed.

Whether the health controversy in the foreign market and in the domestic trade of the United States is a significant factor contributing to the market this year is difficult to analyze at this time. It is hoped that more definite indications from this factor may be developed from discussions with the trade before plans for another crop of flue-cured tobacco are established.

Growers have worked over the years to make the tobacco program the success that it is. They have taken cuts in acreage when needed and they have asked for adjustments in price supports when they felt the need for more competition in foreign markets. The problems that have developed this year can be solved but they must be attacked by concerted action of all leaders. The Department will seek the advice of an industry advisory committee in addition to evaluating all available information in an effort to continue a successful tobacco program.

Now let us take a look at cotton. As you know last week Secretary of Agriculture Freeman announced the 1963 marketing quota and acreage allotment for next year's cotton crop. The quota for 1963 crop has been set at 14,367,000 bales. The allotment is 16 million acres with a reserve of 310,000 acres. This represents a cut from the quota and allotment in effect on the 1962 crop. This cut was dictated by provisions of existing law which are designed to bring estimated production into line with estimated demand. Those of you who know Secretary Freeman, Under Secretary Murphy and some of the rest of us in decision making positions, know that it was a disappointment to us to have to take such action, just as it must be to cotton farmers.

But there is a note of encouragement. We hope and expect that these quota and allotment figures will not be final, that they will be changed before planting time next spring.

As you know, President Kennedy has announced he will recommend legislation to remove the inequity in the present two-price cotton system. He has directed the Department of Agriculture to make recommendations to him on ways of accomplishing this aim. The legislation would also aim at increasing domestic consumption of cotton and contain other provisions which would permit increases in acreage to be planted to cotton next year and in following years.

The Advisory Committee on Cotton has made suggestions to the Department on ways of doing this and the Department is studying them, and it will consider views of other interested groups in the cotton industry. It is still too early to speculate on the details, but we are hopeful that we have found the proper direction, and we are confident we will be able to send a comprehensive cotton program to the President well before the new Congress meets in January.

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It is extremely important to work out a program that is fair to all interested groups. You as producers and representatives of producers can contribute toward this by helping to explain the facts of the cotton situation and the history from which we must learn.

Now consider peanuts, a crop that means \$200 million a year to North Carolina peanut growers. In 1961 we increased the support rate on peanuts and made other changes in the rules which, in effect, increased the effective loan rate nearly \$29 a ton. This meant about \$4-1/2 million to North Carolina peanut farmers. When you consider the effect of the loan on the market price of peanuts, it is easy to see that all growers profited by this action.

You might also be interested in soybeans. While this is not a major crop here, it is of importance to those farmers who grow them, and is, of course, a major crop nationally. There is a lot of misinformation currently circulating...

...some of it deliberate ... about the soybean situation. A year and a half ago we raised the soybean support price in an effort to boost farm income and make additional oil and meal available. At the time this action brought on a storm of criticism from those who claimed this would lead to increased acreage and production, that soybeans would lose markets because of the higher price, and that with larger production and decreased sales both at home and abroad, surpluses of soybeans would pile up. This criticism is still being circulated.

Now let's see what has happened. Despite slightly higher acreage this year, the latest estimate of production shows a crop 20 million bushels smaller than last year's record output. Domestic use of soybeans last year rose to a new high of 471 million bushels, and is expected to go even higher this year. Exports last year reached a record level of 160 million bushels and are likely to be even

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higher this year. And what about the surplus scare? On October 1, the carryover of soybeans was 55 million bushels, the bare minimum to maintain stability in soybean markets in face of expanding demand for the beans both at home and abroad. Had we not taken steps to boost the support price, it is probable that growers would not have raised production enough to meet current demand, and they would have lost both markets and income. I mention this as an example of how carping criticism of farm programs is often dead wrong, even though the critics will not admit it.

In closing, let me ask you to think with me about one of the most needed qualities in American agriculture -- the spirit of unity.

Clearly we are a diverse country made up of people with diverse interests, and this is somewhat true of that segment we call agriculture. Each of us will always see the total situation from regional, State, and local points of view, and -- mainly -- from a personal point of view. We can never agree completely. But this does not mean that we cannot find common meeting grounds for necessary action. We have done so in the past. We have developed farm program measures which have served our people well and helped to make American agriculture one of the most important elements for good in all of civilization.

But times change and we who believe in farm programs must keep working -- working hard.

Lately we have been hearing a great deal from the midwest about withholding actions. Many good, thoughtful, substantial farm people have devoted vast amounts of time, work and their own money to an effort to organize withholding actions that will force processors to enter into contracts which offer greater market stability and a better deal for farmers. The time, work and money put into this effort are such that nobody can doubt that farm people participating in the effort have very intense feelings about the unfairness of their economic situation.

When any large group feels this way, it's time for the rest of us to pay attention, to try to understand what's bothering them, and to try to help them work some way out of their difficulty.

I know that you folks of the North Carolina Grange can understand and appreciate what is going through the minds of those midwest folks.

You have been through the same kinds of problems. Fortunately, you have been able to work out for some of your major commodities an all-out holding action that really works.

Most folks don't stop to realize that your tobacco program and your peanut program have, as their vital centers, co-ops that take off the market and hold off the market whatever supplies there are that will not clear the markets at stipulated prices. And if the process of withholding gets too heavy for a while -- as it has lately in tobacco -- the market just waits for the withholding action to catch up. Tobacco and peanut industries gear themselves to the withholding action.

Your withholding action recognizes two fundamental facts of life that were learned by those who operated the Federal Farm Board and have been re-learned at intervals ever since. One is that a co-op or group of co-ops, to be sure to be able to withhold enough to be effective, must have big-scale financing -- in your case, you have financing from the federal government. The source isn't too important, but having it is.

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The other fundamental fact of life to which I refer is that withholding actions have to be backed up by some means of limiting supply. All manufacturers know that they cannot maintain a profitable price unless they gear their production to what the market will take at the profitable price. The Farm Board people learned they could not merely withhold and withhold and withhold. There had to be a limit, and they had no means of applying it. Therefore, they failed. The last previous administration took feed grains off the market every year, piled surpluses higher and higher, spent staggering and even more staggering amounts of money to store them.

Your means of putting limits on withholding is the marketing quota through which markets are equitably divided among producers. For some commodities, a marketing order might be effective in dividing up the market. In feed grains, we have incentives for cutting production. For wheat the new law provides a combination of marketing quota and certificates to limit the amounts of wheat that can be marketed at food prices. The method can be adapted to the commodity. The important thing is to recognize the fact of life that there has to be some limit to the amount of product withheld.

How the limit is applied is a question about which you and I are not dogmatic. We hold no brief in particular for the use of government powers. But in tobacco and peanut programs, our withholding actions are backed by limits that have the force of law after approval by a two-thirds majority of the producers voting in a referendum. As long as we have democratic government, subject to the control of the people, I personally see no reason to avoid use by the people of powers they have granted to the federal government. Some people feel this is dangerous, and to them we can candidly suggest: Use the powers granted by law to your co-ops; or use the powers that have been granted by law to corporations;

or use the legal authority granted to commodity groups by marketing order legislation; use the legal powers of labor unions for collective bargaining; use any legal means -- but do recognize that withholding, to be effective, must have an upper limit on supply.

We must always be fair. We must not impose limits that result in hardships and injustice. Yet we must be wary of the crocodile tears and loud wails of those who want to buy their raw materials cheap.

Those most concerned about the methods of applying limits on withholding -- those most fearful that farmers will throw away their freedom -- are usually those who would gain most by cheap raw materials or who want to expand large-scale farming operations at the expense of family farmers.

The products of our agriculture are already a bargain. You might say that the farm is already the "bargain basement" of the Nation's economy. We must not let it be turned into a continuous "going out of business" sale.

So let us counsel with all who are reasonable and especially with our neighbors who are in the process of deciding how to work together for their mutual benefit. Let us seek that sympathetic understanding and that spirit of unity that will assure agriculture and the whole Nation a secure and prosperous future.

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